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UNCLAS LAGOS 001467

SIPDIS

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SUBJECT: HARRIS CORPORATION DUKING IT OUT FOR A
LUCRATIVE NIGERIAN TELECOMS CONTRACT

REFTEL LAGOS 00676

1. (SBU) Summary: Harris Communications, a U.S. firm, faces Japanese NEC for a multi-million dollar contract with Globacom for microwave telecommunications equipment. Whether the playing field is level is an open question. End summary.

2. (SBU) Harris Communications Systems Nigeria Ltd. (Harris), a subsidiary of Harris Corporation of Redwood Shores, California, is pursuing a \$30 million microwave communications equipment contract in Nigeria. Harris is a large player in the local telecommunications equipment market, and counts as customers three of the four GSM service providers in Nigeria (South Africa's MTN, Zimbabwe's Econet Wireless International, and M-Tel, a subsidiary of state-run NITEL).

3. (SBU) The Nigerian company Globacom, which Harris eyes as a potential customer, holds the fourth and final GSM license in the country. While late to roll out its mobile network (reftel), Globacom has plans for a system that could eclipse Nigeria's largest mobile players, MTN and Econet. Such a feat might be possible since MTN and Econet are oversubscribed and are having a hard time keeping up with Nigerian demand. Harris Nigeria could raise its revenue in Nigeria in the near term thirty percent if it were to clinch the Globacom contract.

The Competition

4. (SBU) Globacom has narrowed its search to two microwave equipment suppliers: Harris and the Nippon Electric Company (NEC) of Japan. Globacom initially courted a number of other firms including Alcatel and Siemens. Harris Nigeria company executive told Econoff that Globacom is likely to choose a supplier within the next two weeks.

5. (SBU) Comment. Were Globacom to award the contract to NEC, the latter might gain more than just a large share of Nigeria's microwave communications equipment. It could also establish a foothold in an equipment market sector in which there has so far been only one player, Harris. Harris is concerned that the NEC may be prepared to use whatever tactic is necessary to gain access to the Nigerian market.

Downside of Doing Business in Nigeria

6. (SBU) While Harris is engaged in negotiations with Globacom, Harris is preparing itself for what it did not expect when it came to Nigeria. As a supplier to NITEL-owned M-Tel, Harris may soon be pressed to accept naira payment for some of its local business. Payment in naira could reduce Harris's profit margin as a result of unfavorable foreign exchange rates, the effect of which could be magnified were Harris to be compelled to pay additional income taxes in Nigeria.

7. (SBU) Nigeria's population numbers about 130 million, but its fixed telephony rate is a mere four telephone landlines per 1,000 people. GSM service is thus the only viable mid- to long-term connectivity resource in Nigeria. Since GSM services were introduced in August 2001, about four million subscribers have become hooked to mobile phones.

Browne